### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY LAKE CHARLES, LOUISIANA

### ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Under provisions of state law, this report is a public document Acopy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate, at the office of the parish clerk of court

Release Date JAN 2 9 2014

### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

### Lake Charles, Louisiana

### **BOARD OF COMMISSIONERS**

June 30, 2013

Larry Avery President

Kenneth W. Nabours Vice President

Charles K. Dalgleish Secretary/Treasurer

Jane Dufrene Commissioner

James G. Gobert Commissioner

Russell T. Tritico, Sr. Commissioner

Jonald J Walker, III Commissioner

### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY LAKE CHARLES, LOUISIANA

### ANNUAL FINANCIAL REPORT Year Ended June 30, 2013

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Certified Public Accountants

James F. Stulb, CPA Kristine S Carter, CPA

### INDEPENDENT AUDITORS' REPORT

Board of Commissioners Chennault International Airport Authority Lake Charles, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major funds, and the remaining fund information of Chennault International Airport Authority as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinion on these financial statements based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

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### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and the remaining fund information of Chennault International Airport Authority as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America

### Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chennault International Airport Authority's basic financial statements. The schedule of per diem paid commissioners is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole

The schedule of per diem paid commissioners has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it

### Other Reporting Required by Government Auditing Standards

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In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Lake Charles, Louisiana

December 13, 2013

### Management's Discussion and Analysis

The management of the Chennault International Airport Authority offers readers of the Chennault International Airport's financial statements this narrative overview and analysis of the financial activities for the Authority for the fiscal year ended June 30, 2013.

### Financial Highlights

- Chennault International Airport Authority continued its infrastructure growth and expansion during this reporting period. The Authority added \$5,420,458 of capital expenditures during the fiscal year to enhance facilities and to support existing tenants.
- The Authority requested assistance from the State of Louisiana in funding the Multi-Purpose Building, Planning and Construction at the airport through the Capital Outlay Program. Prior to the fiscal year ended June 30, 2012, the Authority received \$208,458 During the fiscal year ending June 30, 2013, the Authority received \$506,542 for a total reimbursement of \$718,000.
- The Authority entered into a grant agreement with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$527,778 with the funds from the grant to be used to Purchase Property for Runway Protection Zone for Runway 15. The Authority contributed \$158,222 toward the purchase. The Authority also received a grant for the Rehabilitation of Runway 15 ILS System's Electronic Equipment Glideslope and Localizer Building Projects in the amount of \$117,000 with the Authority contributing \$22,976 toward the purchase. The Authority also received grant reimbursements from DOTD for the Wildlife Hazard Assessment, Airport Layout Plan, and Emergency Vehicle Access Road in the amount of \$50,070.
- The Authority entered into a Cooperative Endeavor Agreement with the State of Louisiana, Division of Administration, Office of Community Development for the Community Development Block Grant Program in the amount of \$14,000,000, for the New Hangar, Planning and Construction. Other funding for the hangar project is a Cooperative Endeavor Agreement with Facility Planning & Control Capital Outlay in the amount of \$3,100,000, DOTD grant of \$400,000 and Chennault International Airport Authority funds of \$4,000,000 for a total project budget of \$21,500,000. The New Hangar, named Hangar H, will serve as a multiuse hangar for current tenants For the fiscal year ended June 30, 2013, the Authority received from Facility Planning & Control \$117,642 and \$2,758,464 from Community Development Block Grant Program for the construction of Hangar H

### Financial Analysis

The assets of the Chennault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2013 by \$110,626,124. Table 1 on page 6 compares the calculation of net assets for the last three years Net assets increased by \$3,514,221 during the fiscal year ended June 30, 2013 The changes in net assets are detailed in Table 2 on page 7

### **Long-Term Debt**

The Authority owes a total of \$3,040,000 that was borrowed under a contract entered into on October 27, 2011 for the issuance of Excess Revenue Certificates of Indebtedness. The total accrued interest as of June 30, 2013 is \$21,146.

### **Budgetary Highlights**

Property tax collections of \$8,270,070 from the 5 16 mill tax levied in 2012 exceeded the \$7,637,500 that was budgeted by \$632,570. There are three years remaining on the ten-year authorization to levy the property tax from January 2005. On March 24, 2012 an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning in 2016. The property tax levy approved for the year ending December 31, 2013 is 5.030 mills.

Table 1
Chennault International Airport Authority
Net Assets

	June 30, 2013	June 30, 2012	June 30, 2011
Assets other than property, plant and equipment:	A 0.377 (85	e 00/4310	<b>6</b> 0 200 002
Cash and certificates of deposit	\$ 8,376,685	\$ 8,964,319	\$ 8,200,982
Receivables	507,952	169,161	1,210,038
Prepaid Insurance	230,237	225,315	239,474
Restricted Cash	483,933		
Total	9,598,807	9,358,795	9,650,494
Property, plant and equipment			
Hangars	67,283,734	67,283,737	65,948,048
Offices, warehouses and shops	33,971,381	30,617,205	27,309,196
Airport operations buildings	4,894,168	4,894,168	4,894,169
Airfield pavement improvements	4,216,982	4,216,982	3,796,590
Roads and parking lots	3,121,791	3,121,791	3,121,791
Utility systems	6,722,543	6,598,689	6,411,503
Waste treatment plant	1,880,786	1,880,786	1,880,786
Firewater plant and lines	2,378,456	2,304,046	2,304,046
Fences and gates	2,622,567	2,622,567	2,622,567
Other improvements	8,597,336	8,370,643	7,833,982
Equipment	11,814,873	11,788,607	11,259,440
Subtotal	147,504,617	143,699,221	137,382,118
Less accumulated depreciation	(51,069,390)	(46,658,157)	(42,395,842)
Capital Assets, net of depreciation	96,435,227	97,041,064	94,986,276
Land	3,227,042	2,539,369	2,539,369
Construction in progress	5,405,055	4,357,643	4,351,177
Total property, plant and equipment	105,067,324	103,938,076	101,876,822
Total Assets	114,666,131	113,296,871	111,527,316
Liabilities:			
Other liabilities	1,000,007	709,968	1,222,782
Bonds payable	3,040,000	5,475,000	2,875,000
Total liabilities	4,040,007	6,184,968	4,097,782
Net Assets:			
Invested in capital assets	101,204,727	97,986,161	98,348,304
Restricted for capital projects	4,220,053	2,426,616	328,935
Unrestricted	5,201,344	6,699,126	8,752,295
Total Net Assets	\$ 110,626,124	\$ 107,111,903	\$ 107,429,534

Note - The net assets listed above do not include either the value of the 1,200 acres of land leased to the Authority for ninety-nine years by the four entities that created Chennault in June 1986 or the value of the approximately 14 million square feet of pavement that remains of the runway, taxiway, and aircraft parking aprons of the former Chennault Air Force Base.

Table 2
Chennault International Airport Authority
Changes in Net Assets

	June 30, 2013	June 30, 2012	June 30, 2011
Revenues.			
Property tax	\$ 8,270,070	\$ 7,756,404	\$ 7,552,733
Rent income	1,526,370	1,613,088	1,358,600
Miscellaneous income	188,668	293,708	181,930
Interest income	35,001	36,434	34,336
Grants	4,077,497	627,426	4,484,280
Subtotal	14,097,606	10,327,060	13,611,879
Other Financing Sources.			
Impairment gain	243	128,555	1,415,563
Total revenues and other financing sources	14,097,849	10,455,615	15,027,442
Expenses·			
Operate, maintain and repair airport and facilities	5,381,029	5,640,801	5,735,558
Intergovernmental	598,379	651,557	592,801
Interest paid on debt	154,147	187,137	176,115
Depreciation	4,450,073	4,293,751	4,085,827
Total	10,583,628	10,773,246	10,590,301
Increase in Net Assets	3,514,221	(317,631)	4,437,141
Beginning Net Assets	107,111,903	107,429,534	102,992,393
Ending Net Assets	\$ 110,626,124	\$ 107,111,903	\$ 107,429,534

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET June 30, 2013

	Government	al Fund Types
	Special	Capital
	Revenue	Projects Projects
ASSETS	4 0 000 000	e 04.402
Cash	\$ 2,282,222	\$ 94,463
Certificates of Deposit	2,775,000	3,225,000
Receivables	24.42	
Taxes	31,195	-
Interest	425	495
Federal/State Grants	•	440,414
Refundable Insurance Assessment	11,797	•
Other	23,626	-
Land	•	•
Other Capital Assets, net of		
accumulated depreciation	•	•
Prepaid insurance	230,237	•
Restricted Cash	-	483,933
Due from other funds	5,151	
Total assets	\$ 5,359,653	<b>\$ 4,244,305</b>
LIABILITIES		
Accounts payable	\$ 127,085	\$ 24,252
Accrued expenses	4,927	•
Contracts payable	102,003	720,594
Due to other funds	•	5,151
Certificates of indebtedness		
Due within one year	-	-
Oue after one year	•	
Total liabilities	234,015	749,997
FUND BALANCES/ NET POSITION		
Fund Balances		
Nonspendable.prepaid insurance	230,237	_
Restricted for contatruction and repairs	200,201	483.933
•		
Committed for construction and repairs Assigned to	•	3,010,375
Debt service	985,000	•
Airport facility	3,910,401	•
, <b>,</b> ,,	5,125,638	3,494,308
Total liabilities and fund balance	<b>\$</b> 5,359,653	<b>\$ 4,244,3</b> 05
Net Position Invested in capital assets, net of related de Restricted for construction and repairs	ebt	

Unrestricted

Total net position

Total Government Funds	Adjustments	Statement of Net Position
\$ 2,376,685	\$ -	\$ 2,376,685
6,000,000		6,000,000
31,195		31,195
920		920
440,414		440,414
11,797		11,797
23,626		23,626
-	3,227,042	3,227,042
_	101,840,282	101,840,282
230,237		230,237
483,933	-	483,933
5,151	(5,151)	
\$ 9,603,958	\$ 105,062,173	<u>\$ 114,666,131</u>
\$ 151,337	\$ -	\$ 151,337
4,927	21,146	26,073
822,597	-	822,597
5,151	(5,151)	-
-	985,000	985,000
-	2,055,000	2,055,000
984,012	3,055,995	4,040,007
230,237	(230,237)	
	(483,933)	
483,933	• • •	
3,010,375	(3,010,375)	
985,000	(985,000)	
3,910,401	(3,910,401)	
8,619,946	(8,619,946)	
\$ 9,603,958	(5,563,951)	
	101,204,727	101,204,727
	4,220,053	4,220,053
	5,201,344	5,201,344
	\$ 110,626,124	\$ 110,626,124
	ψ 110,020,124	₩ 1 TU,UZU, 124

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET POSITION June 30, 2013

Total Governmental Fund Balances		\$	8,619,946
Amounts reported for governmental activities in the statement of net position are different because			
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:			
Land	3,227,042		
Buildings Airfield Pavement Improvement Roads and Parking Utility and Fire Protection Systems Waste Treatment Plant Fences and Gates Other Improvements Equipment Construction in progress Accumulated depreciation Other capital assets, net of accumulated depreciation	106,149,283 4,216,982 3,121,791 9,100,999 1,880,786 2,622,567 8,597,336 11,814,873 5,405,055 (51,069,390) 101,840,282	•	
Interfund receivables are eliminated in reporting total assets  Total asset adjustments	(5,151)		105,062,173
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			103,002,173
Certificates of indebtedness Accrued interest	3,040,000 21,146		
Interfund payables are eliminated in reporting total assets	(5,151)	-	
Total liability adjustments			3,055,995
Net position of governmental activities		<u>\$</u>	110,626,124

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES Fiscal Year Ended June 30, 2013

	Governmen	ntal Funds
	Special	Capital
	Revenue	Projects
Revenues.	-	
Taxes	\$ 8,270,070	\$ -
Rents	1,526,370	•
Interest	32,417	2,584
Miscellaneous	188,668	•
Grant proceeds	7,482	4,070,015
Total revenues	10,025,007	4,072,599
Expenditures		
Current operating		
Personal services	1,867,001	•
Travel	50,706	•
Contractual services	2,294,559	•
Intergovernmental	598,379	-
Supplies and materials	270,124	•
Repairs and maintenance	1,305,865	•
Depreciation	•	-
Capital outlays	127,379	5,044,717
Debt service:		
Interest and fiscal charges	2,597,686	
Total expenditures	9,111,699	5,044,717
Excess (deficiency) of revenues		
over expenditures	913,308	(972 118)
Other financing sources (uses)		
FEMA proceeds	243	•
Impairment gain	•	-
Operating transfers in	•	2,500,000
Operating transfers (out)	(2,500,000)	<u> </u>
Total other financing sources (uses)	(2,499 757)	2,500,000
Excess (deficiency) of revenues and other sources over		
expenditures and other uses	(1,586,449)	1,527,882
Fund balance/ net position		
Beginning of year	6,712,087	1,966,426
End of year	\$ 5,125,638	<b>\$</b> 3,494,308

Tota	l Government		Statement of
	Funds	Adjustments	Activities
	·		
\$	8,270,070	\$ -	\$ 8,270,070
	1,526,370	-	1,526,370
	35,001	-	35,001
	188,668	•	188,668
	4,077,497		4,077,497
	14,097,606	-	14,097,606
	<u>-</u>		<del> </del>
	1,867,001	-	1,867,001
	50,706	-	50,706
	2,294,559	6,240	2,300,799
	598,379	-	598,379
	270,124	62,274	332,398
	1,305,865	(475,740)	830,125
	-	4,450,073	4,450,073
	5,172,096	(5,172,096)	-
	2 507 696	(2 442 520)	154 147
	2,597,686	(2,443,539)	154,147
	<u>14,156,416</u>	(3,572,788)	10,583,628
	(58,810)	3,572,788	3,513,978
	243	(243)	-
	-	243	243
	2,500,000	-	2,500,000
	(2,500,000)		(2,500,000)
	243		243
	(58,567)	3,572,788	3,514,221
	8,678,513	98,433,390	107,111,903
\$	8,619,946	\$ 102,006,178	\$ 110,626,124

# CHENNAULT INTERNATIONAL AIRPORT AUTHORITY RECONCILIATION OF CHANGE IN GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF ACTIVITIES June 30, 2013

Net change in fund balances - total governmental funds  Amounts reported for governmental activities in the statement of activities are different because	\$	(58,567)
Governmental funds report capital outlays and repairs as expenditures. However, in the statement of activities, assets with an individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. For the current period, these amounts are		
Capital outlay Contractual services Repairs Reclassification from capital outlay to supplies and materials Depreciation expense	5,172,096 (6,240) 475,740 (62,274) (4,450,073)	
Excess of capital outlay over depreciation expense	(4,400,010)	1,129,249
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consisted of:  Principal retirement - \$10M debt, Series 2006 Principal retirement - \$4M debt, Series 2011 Net decrease in accrued interest payable. Net decrease	1,475,000 960,000 8,539	2,443,539
FEMA proceeds are reported as other financing sources in		
governmental funds, but in the statement of net activities offset the cost of the applicable assets and is reported as an impairment gain(loss). For the current period, these amounts are		
FEMA proceeds	(243)	
Impairment gain	243	-
Change in net assets of governmental funds	\$	3,514,221

### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS

### 1 Summary of Significant Accounting Policies

The Chennault International Airport Authority (the Authority) is a political subdivision of the State of Louisiana and was created by an Act of the Louisiana Legislature. By virtue of the act and the joint initiative of Calcasieu Parish, City of Lake Charles, Calcasieu Parish School Board and the State Board of Elementary Education, a special district was created through an intergovernmental contract and local services agreement. The Authority is governed by a board of seven commissioners appointed as follows: two members appointed by Calcasieu Parish, two members appointed by the City of Lake Charles, two members appointed by the Calcasieu Parish School Board. The six members so appointed shall appoint by majority vote a seventh member.

The name of the Authority was changed by Act 458 of the Louisiana Legislature, 1997 Regular Session, from the Chennault Industrial Airpark Authority to the Chennault International Airport Authority.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Authority implemented the new reporting model standards in fiscal year ended June 30, 2004.

### **Reporting Entity**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, it was determined that no other agency should be included in this reporting entity.

### Basic Financial Statements - Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures Government resources are allocated to and accounted for in individual funds

# CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (continued)

based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad funds categories as follows:

### **GOVERNMENTAL FUNDS**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the authority.

<u>Special Revenue Funds</u> - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

<u>Capital Projects Funds</u> - Capital Projects Funds are used to account for financial resources to be used for the acquisition, renovation, or construction of major capital facilities.

#### Fund Balances - Governmental Funds

Beginning with fiscal year ended June 30, 2012, the Authority implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be used only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e., Board of Commissioners) To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint

Assigned – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an individual or body to which the Board delegates the authority.

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

(continued)

Unassigned – amounts that are available for any purpose.

The Authority establishes (and modifies or rescinds) fund balance commitments by passage of board resolution or formal approval. Assigned fund balance is established by the Authority through the adoption or amendment of the budget as intended for specific purposes.

### Basic Financial Statements - Government-Wide Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's funds). In the government-wide Statement of Net Position, governmental activities are presented on

a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government- wide Statement of Activities reports revenues and expenses on a full accrual, economic resource basis. The Statement of Activities recognizes depreciation expense.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from current year's activities.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

### Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

### **Modified Accrual**

All governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when available and measurable. Revenues that are accrued include rent, property taxes, and interest. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (continued)

### Cash and Certificates of Deposit

Cash and certificates of deposit are stated at cost which approximates market. Interest is accrued as earned in the period it becomes measurable and available.

### **Capital Assets**

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for costs for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 - 40 years
Machinery and equipment	10 - 30 years
Improvements	10 - 50 years
Other infrastructure	10 - 50 years

GASB 34 requires the Authority to report and depreciate new infrastructure assets effective beginning the year of implementation (June 30, 2004). The Authority voluntarily elected to retroactively report infrastructure assets and depreciation. Infrastructure assets include drainage, roads, runways, lighting, utilities, etc.

### Accrued Unpaid Vacation, Sick Leave and Other Employee Benefit Amounts

Vacation, compensation time, and sick leave are recorded as expenditures of the period in which they are paid. In the event of separation of employment, the employee will be paid for any unused vacation time accrued. Employees are able to accrue unused sick leave without limitation. However, there will be no payment of unused sick leave upon separation of employment. At June 30, 2013 unrecorded Special Revenue Fund liabilities included approximately \$109,348 vacation pay and \$2,245 compensation time.

### Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

### 2. Cash and Certificates of Deposit

The Authority maintains a fiscal agent agreement All cash and certificates of deposit are entirely insured or collateralized. Louisiana state statute requires that the Authority's deposits be secured by the depository banks and savings and loan associations pledging government securities as collateral. The amount of the security shall at all time be equal to one hundred percent of the amount on deposit except that portion of deposits insured by any

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

(continued)

governmental agency insuring bank deposits which is organized under the laws of the United States.

Cash and investments of the Authority are classified into three categories to give an indication of the level of risk assumed at year-end:

Category 1: includes investments insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

Category 2: includes uninsured investments which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes uninsured and unregistered investments with the securities held by the financial institution, or by its trust department or agent, but not in the name of the Authority.

Cash and certificates of deposit as of June 30, 2013 were all classified as category 1. The balance as of June 30, 2013 consisted of the following:

Cash	Bank Balance \$ 3,096,000	Carrying Value \$ 2,860,618
Certificates of deposit	<u>\$6,000,000</u>	\$6,000,000

### 3. Joint Services Agreement

The Chennault International Airport Authority entered into Joint Services Agreements on April 4, 1995, with the West-Calcasieu Airport Managing Board and the DeQuincy Airport Authority. The purpose of the agreements is to cooperate on the construction, acquisition, and improvement of public aviation projects or improvements. The joint use of funds is intended to carry out the public purpose of encouraging and stimulating economic development throughout Calcasieu Parish.

Under the terms of the amended agreements, effective for years 2006 through 2015, the Authority agreed to annually grant or transfer \$200,000 to the West-Calcasieu Airport Authority Managing Board and \$100,000 to the DeQuincy Airport Authority. The transfers are scheduled to take place annually for the ten-year period.

# CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (continued)

In October 2012, the parties entered into new Joint Service Agreements effective for years 2016 through 2026. The new agreements call for annual transfers as follows:

	Tax Collection Period		
	2016-2019 2020-2023 2024-202		
West Calcasieu Airport Authority	\$300,000	\$375,000	\$425,000
DeQuincy Airport Authority	\$200,000	\$250,000	\$300,000

In addition to the above transfers, the Authority agrees to review its tax revenue in 2017, 2021, and 2025 to compare the previous year's property tax collection. If the receipts for those years increase by 3% or more, the Authority will increase its transfer by 3% for a period not to exceed three years.

It is understood and agreed that should untoward events, i.e, natural disaster, tenant loss, etc., resulting directly or indirectly, more than 10% decrease in annual gross revenue to the Authority, or such other unexpected development resulting in said decrease in revenue, or overall tax revenues decrease to 7 million or below per year, this agreement may be modified accordingly, upon formal action by the Board Authority.

### 4. Property Taxes

On January 15, 2005, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning with the year 2006. On March 24, 2012, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning 2016. For the year ended June 30, 2013, the Authority levied taxes of 5.03 mills on property with assessed valuation totaling \$1,651,677,335 the taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority Total taxes levied were \$8,307,937

Property tax millage rates are normally adopted in May for the calendar year in which taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by February 28th are subject to property lien.

### 5. Excess Revenue Certificates of Indebtedness

On September 15, 2011 the Louisiana State Bond Commission granted approval to the Authority for the issuance, sale and delivery of Excess Revenue Certificates of Indebtedness (New Aviation Hangar Project), Series 2011. On October 27, 2011, an issue in the original principal amount of \$4,000,000 was sold to First Federal Bank of Louisiana. The contract provides for payments to reimburse the state for bonds issued to finance construction of a new aviation hangar and paying the costs of issuance of the Certificates.

# CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (continued)

The certificates of indebtedness, dated October 27, 2011, provide that the Authority shall repay the paying agent semi-annual interest payments at a rate of 2.79% and annual principal payments with the final payment due October 1, 2015.

The annual requirements to amortize the outstanding indebtedness as of June 30, 2013 is as follows:

Year Ending June 30	<u>Interest</u>	<b>Principal</b>
2014	\$ 71,075	\$ 985,000
2015	43,175	1,015,000
2016	14,508	1,040,000
	\$128,758	\$3,040,000

### 6. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2013:

	Balance		Balance
	July 1, 2012	<b>Retirements</b>	June 30, 2013
Certificates of			
Indebtedness	<b>\$5,475,000</b>	<u>\$2,435,000</u>	\$3,040,000

There are various limitations and restrictions contained in the various debt agreements The Authority is in compliance with all significant limitations and restrictions.

### 7. Capital Assets Activity

Capital assets consist of the following:

-	June 30, 2012	<b>Additions</b>	<b>Retirements</b>	June 30, 2013
Construction in				
progress	\$ 4,357,643	\$5,044,718	\$3,997,306	\$ 5,405,055
Land	2,539,369	687,673	-	3,227,042
Buildings	102,795,110	3,354,173	-	106,149,283
Improvement other				
than building	29,115,504	424,957	-	29,540,461
Equipment	11,788,607	<u>65,107</u>	<u>38,841</u>	<u>11,814,873</u>
	150,596,233	9,576,628	4,036,147	156,136,714
Accumulated				
depreciation	<u>(46,658,157)</u>	(4,450,073)	(38,841)	(51,069,389)
	\$ <u>103,938,076</u>	\$ <u>5,126,555</u>	\$ <u>3,997,306</u>	\$ <u>105,067,325</u>

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

(continued)

During the fiscal year ended June 30, 2013, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

	rior Period penditures	r Ended 30, 2013	tal Project penditures
Multi-Purpose Warehouse	\$ 2,839,329	 79,142	\$ 2,918,471
CIAA Drainage Study	205,133	21,560	226,693
ILS Replacement	16,227	142,002	158,229
McNeese Property	-	687,673	687,673
Other Projects	-	6,237	6,237
Total	\$ 3,060,689	\$ 936,614	\$ 3,997,303

Expended to

Construction in progress as of June 30, 2013, is composed of the following:

	Experiaca to
	June 30, 2013
Hangar H	\$4,326,916
Emergency Vehicle Access	38,520
Taxiway A Widening	72,332
2 <sup>nd</sup> 110,000 Gallon Jet Fuel Storage	463,038
New Bridge	103,170
Taxiway A Rehab-Program	393,456
Other Projects	7,623
Total	\$5,405,055

### 8. Lease Revenue

The Authority leases its property to various commercial operations. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals as of June 30, 2013 on non-cancelable operating leases for the next five years are as follows:

Year Ending	<u>Amount</u>	
June 30, 2014	\$ 458,660	
June 30, 2015	\$ 459,360	
June 30, 2016	\$ 294,780	
June 30, 2017	\$ 160,180	
June 30, 2018	\$ 160,180	

Fuel flowage income associated with the Authority's non-cancelable operating leases was approximately \$141,997 for the year ended June 30, 2013 The Authority's fuel flowage fee is eight cents per gallon.

# CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (continued)

On June 28, 2013, the Authority amended the lease agreement with Northrop Grumman Systems Corporation. The agreement, as amended, requires no rent to be paid by Northrop Grumman beginning July 2013 through December 2016.

### 9. Defined Benefit Plan

Plan Description.

The Authority contributes to the Louisiana State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS). As a result of state legislation passed Chennault employees with 10 years of service credit on June 30, 2004 participate in the system

Employees are eligible for returement if they have a) thirty years or more of service, at any age; b) twenty-five years or more of service, at age fifty-five or thereafter; or c) ten years or more of service, at the age of sixty or thereafter.

Retirees shall receive a maximum retirement allowance equal to two and one-half percent of average compensation for every year of creditable service plus three hundred dollars. The retirement benefits provided shall not exceed one hundred percent of retiree's average compensation. The System also provides death and disability benefits. Benefits are established by Louisiana state statute.

The Authority's payroll for employees covered by the System for the year ended June 30, 2013 was \$266,602. The Authority's total payroll and taxable benefits was \$1,497,958.

### Contribution requirements:

Covered employees are required by Louisiana state statute to contribute 7.5 percent of their salary to the plan. The Authority is required by the same statute to contribute 29.10 percent of eligible salaries. The contribution requirement for the year ended June 30, 2013, was \$97,576 (36 60% of current year covered payroll), which consisted of \$77,581 (29.10% of current year covered payroll) from the Authority and \$19,995 (7.5% of current year covered payroll) from employees.

### Fund status and progress:

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users access the funding status of the plan on a going-concern basis, assets progress made in accumulating sufficient assets to pay benefits when due, and

# CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013 (continued)

make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of June 30, 2013; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 2013, for the System as a whole was approximately \$16.182 billion.

The System's net assets available for benefits on that date (valued at market) were approximately \$9.741 billion, leaving an unfunded pension benefit obligation of approximately \$6.441 billion.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. Also included in this report is historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. This annual report may be obtained by writing to the Louisiana State Employees' Retirement System, PO. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

### 10. Deferred Compensation Plan

The Authority set up a deferred compensation plan effective as July 1, 2004 that would be administered through the State of Louisiana Deferred Compensation Plan. Employees who are not contributing to the Louisiana State Employees' Retirement System plan are eligible to participate in the Authority's deferred compensation plan.

Contributions are based on an employee's wages and taxable benefits. The contribution rate was set at seven percent. The contribution rate for employees hired after July 1, 1994 was modified from seven percent to eight and one half percent. The contribution rate was increased on July 1, 2011 to include an additional amount with an employee contribution. The Authority matches up to two percent with employee contributing four percent.

The amounts contributed to the deferred compensation plan by the Authority are included both in the amount of wages reported for the employee and in the amount of deferred compensation contributed by the employee. Funds contributed by the Authority to the plan are held in separate accounts set up for the individual employees within the State of Louisiana Deferred Compensation Plan. The Authority contributed \$99,063 for employees covered by the deferred compensation plan for the year ended June 30, 2013.

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (continued)

### 11. Contingencies and Commitments

Commitments under maintenance and service contracts provide for minimum annual payments as follows:

Year ending June 30	Fire Protection	Runway Equipment
2014	1,132,023	28,500
2015	-	19,000

### Pending claims

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of June 30, 2013.

### Uncollected rent

On June 8, 2011, the Authority renegotiated its lease with Aeroframe Services, LLC, increasing the base rent to \$15,000 with scheduled escalations. After rent offsets of \$200,000 for furniture purchases, Aeroframe owed the Authority \$225,000 for rent as of June 30, 2013. In addition to the uncollected rent, \$64,267 was owed to the Authority for utilities. Due to the uncertainty of the collectability, the uncollected rent and unpaid utilities was not recorded as a receivable as of June 30, 2013. In August 2013, the Authority terminated the lease agreement with Aeroframe Services, LLC. Subsequent to the lease termination, the Authority entered into a lease agreement with AAR Aircraft Services, Inc.



### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY SPECIAL REVENUE FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

Fiscal Year Ended June 30, 2013

	Budgeted	Amounts		Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Taxes	\$ 7,637,500	\$ 7,637,500	\$ 8,270,070	\$ 632,570
Rents	1,552,560	1,552,560	1,526,370	(26,190)
Interest	25,000	25,000	32,417	7,417
Miscellaneous	150,000	150,000	188,668	38,668
Grant proceeds			7,482	7,482
Total revenues	9,365,060	9,365,060	10,025,007	659,947
Expenditures				
Salanes	1,511,793	1,511,793	1,434,568	77,225
Employee benefits and taxes	454,695	454,695	432,433	22,262
Travel	45,500	45,500	50,706	(5,206)
Rentals	298,424	298,424	256,780	41,644
Insurance	478,200	478,200	442,986	35,214
Telephone and utilities	211,250	211,250	146,381	64,869
Maintenance	61,200	61,200	63,329	(2,129)
Control tower	31,000	31,000	34,258	(3,258)
Fire protection	1,115,145	1,115,145	1,115,145	-
Advertising	37,500	37,500	34,470	3,030
Architectural and engineering	10,000	10,000	33,935	(23,935)
Miscellaneous Contractual	155,200	155,200	167,275	(12,075)
Intergovernmental	602,500	602,500	598,379	4,121
Business development	19,000	19,000	21,659	(2,659)
Maintenance supplies	43,000	43,000	65,155	(22,155)
Office Expense	21,000	21,000	17,613	3,387
Vehicles-fuel and repairs	153,000	153,000	165,697	(12,697)
Major repairs	1,480,001	1,480,001	1,305,865	174,136
Capital outlays	237,000	237,000	127,379	109,621
Debt service	2,597,386	2,597,386	2,597,686	(300)
Total expenditures	9,562,794	9,562,794	9,111,699	451,095
Excess of revenues over				
expenditures	(197,734)	(197,734)	913,308	1,111,042

(continued on next page)

### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY SPECIAL REVENUE FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

Fiscal Year Ended June 30, 2013 (continued)

	Budgeted	Amounto		Vanance with Final Budget Favorable
	<u>Budgeted</u> Onginal	Final	Actual	(Unfavorable)
	<u></u>			
Excess of revenues over				
expenditures	(197,734)	(197,734)	913,308	1,111,042
Other financing sources (uses)				
Insurance proceeds	-	-	-	-
FEMA proceeds	-	-	243	243
Operating transfers in	•	-	-	-
Operating transfers out	(2,500,000)	(2,500,000)	(2,500,000)	
Total Other Sources (Uses)	(2,500,000)	(2,500,000)	(2,499,757)	243
Excess (deficiency) of revenues				
over expenditures and other uses	(2,697,734)	(2,697,734)	(1,586,449)	1,111,285
Fund balance at beginning of year	5,246,411	5,246,411	6,712,087	1,465,676
Fund balance at end of year	\$ 2,548,677	\$ 2,548 <u>,677</u>	\$ 5,125,638	\$ 2,576,961

## Chennault International Airport Authority Note to Required Supplementary Information-Budgetary Reporting For the year ended June 30, 2013

The Budgetary Comparison Schedule-Budget to Actual presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers all Authority activities of the Special Revenue Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Board of Commissioners. Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds.

### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### Year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
Federal Emergency Management Agency Passed through the Louisiana Office of Homeland Security and Emergency Preparedness Hurricane Rita recovery program	97 036	<b>\$243</b>
Department of Housing and Urban Development Passed through the Louisiana Office of Community Development – Disaster Recovery Unit Community Development Block Grant/ States Program	14 228	<u>2,758,464</u>

## CHENNAULT INTERNATIONAL AIRPORT AUTHORITY NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2013

### NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chennault International Airport Authority under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organization Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

### SCHEDULE OF PER DIEM PAID COMMISSIONERS June 30, 2013

The schedule of per diem paid to commissioners was prepared in compliance with house Concurrent Resolutions No. 54 of the 1979 Session of the Louisiana Legislature.

As provided by Louisiana Revised Statute 33:4710.6, member of the commission serve without compensation.

Commissioner	<b>Meetings</b>	Compensation
Larry Avery	11	•
Kenneth W. Nabours	10	~
Charles K. Dalgleish	11	-
Jane Dufrene	11	-
James G. Gobert	12	-
Russell T. Tritico, Sr.	11	-
Jonald J. Walker, III	5	-

Certified Public Accountants

James F Stulb, CPA Kristine S Carter, CPA

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners Chennault International Airport Authority Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, major funds, and the remaining fund information of Chennault International Airport Authority as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report dated December 13, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Chennault International Airport Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chennault International Airport Authority's internal control Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chennault International Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

It & associates

Lake Charles, Louisiana

December 13, 2013

Certified Public Accountants

James F Stulb, C.PA Kristine S. Carter, CPA

### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners Chennault International Airport Authority Lake Charles, Louisiana

### Report on Compliance for Each Major Federal Program

We have audited Chennault International Airport Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013 The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013

### Report on Internal Control Over Compliance

Management of Chennault International Airport Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 Accordingly, this report is not suitable for any other purpose.

Lake Charles, Louisiana December 13, 2013

Stull & association

### Chennault International Airport Authority

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Section I – Summary of Auditors' Results June 30, 2013

Financial Statements	
Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
<ul> <li>Material weakness identified?</li> <li>Significant deficiency identified?</li> <li>Noncompliance material to financial</li> </ul>	yes X_no yes X_no
statements noted?	yes <u>X</u> no
Federal Awards	
Internal control over major programs:	
<ul><li>Material weakness identified?</li></ul>	yes <u>X_</u> no
<ul> <li>Significant Deficiency (ies) identified that are</li> </ul>	
not considered to be material weaknesses?	yes <u>X</u> no
Type of auditors' report issued on compliance	
For the major federal award programs:	Unqualified
Any audit findings disclosed that are required	
to be reported in accordance with section 510(a)	
of OMB Circular A-133?	yes <u>X_</u> no
Identification of major programs CFD	OA Number
Department of Housing and Urban Development Community Development Block Grant/State's Program	14.228
Dollar threshold used to distinguish Between type A and type B programs	\$300,000
Auditee qualified as low-net auditee?	ves Y no

### Section II - Financial Statement Findings

### **Current Audit**

There were no findings or questioned costs

### **Prior Audit**

There were no findings or questioned costs

### Section III - Federal Awards Findings

### **Current Audit**

There were no findings or questioned costs

### **Prior Audit**

There were no findings or questioned costs